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Component Study Number 1

**An Economic History
of Northwestern Ontario**
by Lynne Mitchell



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Ontario Ministry of Labour

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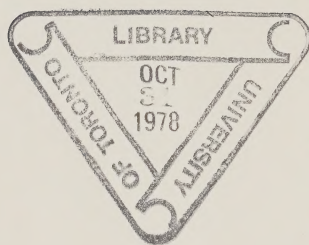


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PREFACE

The Northwestern Ontario Manpower Adjustment Study was undertaken by the Research Branch of the Ontario Ministry of Labour as one of the projects for the Canada/Ontario Interim Northlands Subsidiary Agreement under the General Development Agreement. The funds for this project were provided by Employment and Immigration Canada and by the Ontario Regional Priority Budget.

The objective of the Study is to provide information required for the development of policies and programmes designed to relieve structural imbalances in the labour market in Northwestern Ontario. The Study comprises ten component projects dealing with labour supply, labour demand, turnover and absenteeism, migration, and the labour market intentions of graduating students. A complete list of these projects appears inside the back cover.

The present report, "An Economic History of Northwestern Ontario," reviews the development of all of Northwestern Ontario's major industries, and assesses their relative importance in the Region today. The opinions expressed in this report are those of the author only, and do not reflect the official views of the Ontario Ministry of Labour, Employment and Immigration Canada, the Ontario Ministry of Treasury, Economics and Intergovernmental Affairs, or the Department of Regional Economic Expansion.

We would like to take this opportunity to thank the many individuals and organisations that helped us to complete this Study. Thanks are due to Employment and Immigration Canada and to the Ontario Regional Priority Budget, whose financial support made the Study possible. We also thank Dr. L. O. Stone, Professor Noah M. Meltz, and Professor C. A. Jecchinis; the members of the Committee On Getting and Holding Manpower in Northwestern Ontario; and Mr. Cliff McIntosh and Mr. Bob Michels of the Quetico Centre, all of whom helped during the planning stages of the Study. For supplying data indispensable to our research we thank the staff at Lakehead University and Confederation College; the Boards of Education in the Districts of Thunder Bay, Rainy River, and Kenora; and the employers and other persons too numerous to name whose contributions assisted us immeasurably. For cooperation and perseverance which facilitated our work we are indebted to many officials in both the Federal and Provincial Governments, and especially to the members of the Federal-Provincial Management Committee for the Interim Northlands Subsidiary Agreement. We are indebted as well to Mr. Michael Ryval and Mr. Charles Bogue, who edited the drafts of these reports for publication, and to the many persons on the clerical and secretarial staff of the Ontario Ministry of Labour whose assistance made it possible to complete these reports. For their encouragement and support we thank Mr. John Kinley and Mr. M. Skolnik, who were the Directors of the Research Branch at the Ontario Ministry of Labour while this Study was in progress, and Mr. G. S. Swartz, the current Director of the Branch. Finally, special thanks go to the author of the present report, Ms. Lynne Mitchell, for her work on this project.

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NORTHWESTERN ONTARIO MANPOWER ADJUSTMENT STUDY

CHAPTER I

INTRODUCTION

This report shows how economic growth has occurred in Northwestern Ontario during the past century. It begins with a brief history of the Region's economy and politics, and describes the growth of its population since the beginning of the century. Next it considers the role of transportation in making possible the development of the Region's economic potential. Finally it outlines the development of each of the most important industries in the Region, beginning with the first industry to be of economic importance: the fur trade, agriculture, logging, pulp and paper, mining, tourism, and manufacturing. Each chapter concludes with a statistical description of the respective industry's current employment.¹

1. Economic and political overview

The economic history of Northwestern Ontario can be divided into several periods, each characterised by the development and sometimes the predominance of a particular industry: the fur trade, square and then sawn timber,² homesteading, pulp and paper, and mining. These periods are not mutually exclusive; they merely represent the economic activities that were predominant in Northwestern Ontario in successive time periods.

The era of the fur trade lasted from approximately the latter part of the 17th century to the mid-19th century, when settlement, railway construction, and forestry assumed major economic importance. The square timber trade with Great Britain was an important economic activity from the mid-19th century to the end of that century, when it was replaced by the sawn timber trade with the United States. An important feature of this period was the influx of new immigrants and homesteaders, who provided much of the labour for the lumbering industry. These immigrants also established farming to a certain extent, especially in the Rainy River, Fort William, Port Arthur, and Rat Portage/Dryden areas. Forestry in Northwestern Ontario was expanded to include pulp and paper production just after the turn of the century, and this industry grew in importance. As world markets fluctuated, the mineral deposits in Northwestern Ontario waxed or waned in economic importance. Silver and gold predominated before World War II, but the emphasis during the past 20 years has changed to base metals such as iron, copper, and nickel.

Today Northwestern Ontario's economy retains components from all earlier economic periods, although forestry and mining are the most important industries. Transportation and tourism are significant but are not as important as sources of employment to the Region as natural resource extraction.

¹For a brief discussion of the conceptual framework used in the development of this report, see the Appendix.

²Square timber was squared-off pine logs used for the construction of ships and shipmasts by the British Navy, and for other construction purposes. Sawn timber was lumber cut into planks. Sawn lumber called "deals" were softwood planks two or three inches thick.

The most significant event in Northwestern Ontario's political history occurred when it officially became part of Ontario through the Ontario Boundary Act. Recognition of the valuable resources in the Region led to jurisdictional disputes--initially between the provincial and federal governments, and subsequently between the Ontario Government and the newly formed Manitoba Government--as to where the northern and western boundaries of Ontario should be. In 1874 a three-man commission was set up to adjudicate the Dominion-(Ontario) provincial boundary dispute. By the mid-1880s the Manitoba Government had entered into the dispute over its boundary with Ontario. The Dominion Government supported Manitoba's claim, since the Dominion retained timber and mineral rights in Manitoba which it believed it could extend to any new territory acquired by that Province.

However, both the three-man commission and the Judicial Committee of the Privy Council supported Ontario's claim to the disputed territory. The dispute was not settled until 1889, at which time the western boundary of Ontario was set at Lake of the Woods and its northern boundary at James Bay and the English and Albany Rivers. In 1912 the federal government granted the area north of the English and Albany Rivers to Ontario, which became known as the Patricia Portion (see the map on page 3). With the acquisition of these additional territories Ontario gained an area of land triple the size that the Dominion Government had sought to assign to it after Confederation and an immense source of natural wealth in pulpwood, timber, minerals, and water power.³

2. Population growth

As a consequence of development in railway construction, mining, forestry, and agriculture during the first half of the twentieth century, Northwestern Ontario received a massive influx of people, many of whom were immigrants settling in Canada for the first time. For every decade up to 1951 the percentage increase in the population of Northwestern Ontario exceeded that of Ontario's population. In the first decade of the century alone, Northwestern Ontario's population grew by 147 percent, while Ontario's population grew by only 16 percent. Between 1901 and 1951 Northwestern Ontario's population increased by 492 percent while Ontario's population grew by only 110 percent.

Since 1951, however, the increase in Northwestern Ontario's population has failed to keep pace with that of the Province. For example, between 1961 and 1971 its population increased by only 3.6 percent while that of Ontario as a whole increased by 23.5 percent, and between 1971 and 1976 census figures indicate that its population has increased by only 9,025, or 4.02 percent.

The distribution of the population within the Region has also changed since the turn of the century. In 1901 the Thunder Bay District contained approximately 40 percent of Northwestern Ontario's population; in 1976 it is estimated to have had almost 65 percent. The Rainy River District has actually experienced a decline in population since 1961. See Table 1, page 4, for figures on the change in Northwestern Ontario's population between 1901 and 1976.

³Morris Zaslow, "The Ontario Boundary Question," in Profiles of a Province, Ontario Historical Society (Toronto: The Bryant Press Ltd., 1967), p. 114.



NORTHERN ONTARIO PLANNING REGIONS
 Indicating N.W.O. and the Patricia Portion

LEGEND

- BOUNDARIES**
- International
 - County or District
 - Provincial
 - Regional
 - RM Regional Municipality



Table 1
Population Change in Northwestern Ontario, 1901 to 1976

Year	Ontario	Percentage Change	Northwestern Ontario	Percentage Change	Rainy River	Kenora	Thunder Bay
1901	2,182,947	--	28,156	--	6,568	10,369	11,219
1911	2,527,292	15.8	69,432	147.0	10,429	19,507	39,496
1921	2,933,662	16.1	82,217	18.4	13,518	19,139	49,560
1931	3,432,683	17.0	108,396	31.8	17,359	25,919	65,118
1941	3,787,655	10.3	137,704	27.0	19,132	33,372	85,200
1951	4,597,542	21.4	166,711	21.1	22,132	39,212	105,367
1961	6,236,092	35.6	216,523	29.9	26,531	51,474	138,518
1971	7,703,106	23.5	224,370	3.6	25,750	53,230	145,390
1976	8,131,618	5.6	233,395	4.02	24,768	57,980	150,647

Source: Census of Canada (Statistics Canada), cited in Ministry of Natural Resources, Strategic Land Use Plan: Background Information and Approach to Policy, Northwestern Ontario Planning Region (1974), p. 21; 1976 figures, 1976 Census of Canada.

CHAPTER II

THE ROLE OF TRANSPORTATION IN THE ECONOMIC DEVELOPMENT OF NORTHWESTERN ONTARIO

Northwestern Ontario's geographic isolation from industrialised Southern Ontario and its strategic position as a corridor for east-west trade routes have made transportation systems essential to its economic development. These systems have made the settlement of the Region possible, and have facilitated the transport of its exports and imports. This chapter describes the development of transportation in Northwestern Ontario and the role it has played in the Region's economic development.

1. Transportation systems

Railways¹

Northwestern Ontario's extensive system of rivers and lakes facilitated the establishment of the fur trade in the Region. However, Northwestern Ontario lacked an effective transportation system for industrial development and settlement until the completion of the Canadian Pacific Railway in 1885. The provincial government expected the railway to open agricultural land and to bring settlers to "New Ontario."² While it fulfilled its purpose to a certain extent, and provided employment for new settlers, two of its most important accomplishments were to open the door to mineral and timber resources, and to establish what eventually became Northwestern Ontario as an important trade route for the shipment of Western grain.

By 1888 the C.P.R. had acquired a monopoly over the movement of Western grain and had built an elevator at Fort William, thus initiating the growth of Port Arthur and Fort William as a strategic transfer point of Western wheat from rail to water.

The Canadian Pacific Railway was the primary instrument of settlement in the Dryden area. It also stimulated the lumber industry in the western part of the Region as large markets for Northwestern Ontario's pine were found in the prairies. Kenora also benefitted from the opening of the Canadian Pacific; flour milling, saw-milling, and commercial fishing became important industries, and the recreational resources of the Lake of the Woods attracted large numbers of tourists during the summer.

Between 1900 and 1915 two additional transcontinental railway systems were built across Northwestern Ontario, the Canadian Northern and the National Transcontinental Railway (Grand Trunk Pacific). The Canadian Northern, built from Winnipeg to

¹The text of some of this section (page 5) first appeared in somewhat different form in Ontario, Department of Treasury and Economics, Design for Development (April 1970), p. 195.

²"New Ontario" is the country to the north and west of Lake Nipissing and the French River. See Ontario, Office of the Commissioner of Crown Lands, Land Settlement in New Ontario (Toronto: Warwick Bros. and Rutter, 1903), p. 7.

Fort William and running south of Lake of the Woods, opened up the Rainy River District for agricultural settlement and made possible the establishment of the pulp and paper industry at Fort Frances. By 1905 it had established grain elevators in Port Arthur and was becoming a threat to the C.P.R.'s monopoly of the Western grain trade. The Canadian Northern was finally opened along its entire length (Vancouver to Montreal) in 1915, thus opening up the eastern Thunder Bay District. Aside from some lumbering activity, however, the railway stimulated very little permanent settlement until gold was discovered in the Long Lac area in the mid-1930s. The Grand Trunk Railway was opened between Winnipeg and Quebec City in 1915, but this line traversed rocky, unsettled country far to the north of existing settlement, and it had little economic effect on Northwestern Ontario. A branch line was built from Superior Junction (near Sioux Lookout) to Fort William, giving Thunder Bay its third rail outlet for Western wheat, and stimulating the growth of Sioux Lookout as a lumbering and railway centre.

After World War I, the Canadian Northern Railway and the Grand Trunk Pacific were taken over by the federal government because of financial difficulties, and eventually became the Canadian National Railway. At present both the C.N.R. and the C.P.R. traverse Northwestern Ontario.

Around the turn of the century the provincial government faced the task of making Northern Ontario more accessible to settlers. The government directly financed the construction of a north-south railway, the Timiskaming and Northern Ontario, and aided in the construction of the Algoma Central. These railways, originally built in the hope that they would open new areas for settlement, exposed the natural resources of Northern Ontario; for example, they were directly responsible for the discovery of silver at Cobalt.

Today the Region is served by the C.N.R., the C.P.R., the Ontario Northlands Railway (formerly the Timiskaming and Northern Ontario Railway), and the Algoma Central, and has connections with American lines such as the Great Northern and the Northern Pacific. The railways have had to expand their facilities to keep pace with economic expansion in Northwestern Ontario. The iron mining at Steep Rock caused the C.N.R. to expand its dock facilities at Port Arthur and to build spur lines to the mines at Atikokan in the 1950s. Spur lines have also been built for forest-based enterprises. The railway network in Northwestern Ontario now moves large quantities of freight, especially grain, iron ore, and pulpwood. Both the C.N.R. and the C.P.R. have large marshalling yards at Thunder Bay.

"Railways brought to the expanding metropolitan areas of Toronto and Hamilton the results of expansion in minerals, pulp and paper and hydro electric power in Northern Ontario."³ They also transported Northwestern Ontario's resources to American markets. The precise effects of transportation costs on the development of Northwestern Ontario are documented elsewhere,⁴ but it is important to note here that "Canadian Railways were geared to long distance traffic and discriminated in favour of the international movement of staples and against the local marketing of finished products."⁵ In addition, domestic discriminatory freight rates made it cheaper to send manufactured goods from east to west and raw materials from west to east than

³Harold A. Innis, Essays in Canadian Economic History, ed. M. Q. Innis (Toronto: University of Toronto Press, 1956), p. 121.

⁴See Wilbur Smith and Associates, The Impact of Transportation Costs on Economic Development in Northwestern Ontario (1970), quoted in Ontario, Department of Treasury and Economics, Design for Development (April 1970), p. 195.

⁵Robin Thomas Naylor, "The History of Domestic and Foreign Capital in Canada," in Canada Ltd., ed. R. Laxer (Toronto: McClelland and Stewart, 1973), p. 49.

vice versa. Thus, while the railways played an important role in developing Northwestern Ontario, they also contributed to keeping it an area for primary resource extraction.

Water transportation

Thunder Bay has always been an important transportation centre, and has been particularly important as a transfer point in the shipping of resources to Canadian cities and to American ports on the Great Lakes. For example, the C.N.R. ore dock at Thunder Bay extends 1,000 feet into Lake Superior and can handle several large vessels simultaneously. Along the 41 miles of protected harbour in Thunder Bay are located 25 of Canada's largest grain elevators, making that city one of the world's largest grain storage and shipping centres.

The St. Lawrence Seaway

The completion of the St. Lawrence Seaway in 1959 was expected to make Thunder Bay an important port for ocean-going vessels. However, the harbour there was only dredged to a depth of 27 feet, since this was the controlling depth allowed by the Seaway Agreement, and many large ocean-going freighters have been excluded as a result. As far back as 1951 only 10 percent of the vessels in the American ocean-going merchant fleet would have been able to use the seaway.⁶ Nevertheless, the Seaway has been beneficial to Thunder Bay because it opened the St. Lawrence to large lake vessels, making the Quebec-Labrador iron ore deposits more accessible to the American market.

The statistics on the tonnage handled at the Lakehead between 1957 and 1976 indicate that a big increase in the total tonnage handled as a result of the Seaway did not occur until 1970. The total tonnage of cargo handled at the Lakehead increased from 12.1 million tons in 1957 to 12.5 million tons in 1962 and to 14 million in 1963.⁷ By 1970 it had jumped to 20,779,767. In 1976 the total annual tonnage handled at the Lakehead was 19,648,593.⁸

A few smaller ports are located in Northwestern Ontario. For example, the port at Marathon is operated by American Can of Canada Ltd., to transport the products of its kraft⁹ plant, and Domtar operates a private dock at Red Rock for the export of newsprint and kraft board.

Roads

Until very recently Northwestern Ontario's road system was not well developed. Indeed, logging roads have often been the only means of access to many areas in the Region. The first Canadian road linking Thunder Bay with Southern Ontario (Highway 11) was not completed through Ontario until after World War II. Travellers to Northwestern Ontario before that time had to either depend on railways and lake steamers or cross through American territory. The Trans-Canada Highway (No. 17) was

⁶W. T. Easterbrook and H. G. J. Aitken, Canadian Economic History (Toronto: Macmillan of Canada, 1961), p. 555.

⁷J. R. Nininger, A Survey of Changing Employment Patterns at the Lakehead Cities of Port Arthur and Fort William (prepared for the Ontario Economic Council) (London: University of Western Ontario, 1964), p. 53.

⁸Lakehead Harbour Commission at Thunder Bay.

⁹Kraft board is a strong board made from unbleached sulfate pulp or kraft-wood pulp.

not completed north of Lake Superior until 1964. Because the territory to the west of Marathon (which is virtually all of Northwestern Ontario) was inaccessible by road until 1964, this part of the Region including Thunder Bay has from early times been influenced more than any other area in Northwestern Ontario by expansion in the west and the growth of Winnipeg.¹⁰

Air transportation

Since 1968, when the provincial government introduced its "Highways in the Sky" programme, air transportation has assumed great importance in Northwestern Ontario. It has not only provided access to isolated communities, but has also enhanced the tourist industry by allowing the establishment of fly-in hunting and fishing camps in remote areas. Air transportation has also helped lumbermen and mining prospectors in their search for new resources. In isolated areas it has become essential in transporting supplies and equipment, in fighting forest fires, and in providing emergency services for the sick. The major air terminal is at Thunder Bay; its facilities have recently been expanded. Three major airlines and several charter air transportation companies operate in the area. Norontair service, operated by the Province, reaches several Northwestern Ontario communities. Sioux Lookout and Geraldton are major jump-off points for air service to isolated areas.

2. Employment in transportation in 1971

In 1971 the transportation and communication industry employed 10 percent of the work-force in Northwestern Ontario. It ranks third in importance among the non-resource-based activities, behind the service industries, which employed 25 percent, and wholesale and retail trade, which employed 14 percent.¹¹

¹⁰The role of road transportation in the development of the tourist industry is discussed in Chapter VII.

¹¹Census of Canada 1971, quoted in Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 31.

CHAPTER III

THE FUR TRADE

1. The development of the fur trade

The fur trade between the native population and the European trading companies occurred in Northwestern Ontario during the late seventeenth century. It remained Northwestern Ontario's main commercial activity until after the 1850s, when economic development and settlement began to advance into the Region from Eastern Canada.

Many existing settlements, such as Fort William, Fort Frances, and Kenora (Rat Portage), owe their beginnings to their location on the North West Company's canoe route from Montreal to the West.¹ The fur trade was carried on primarily with Great Britain, and it was largely British capital that exploited this fur-rich region. With the absorption of the North West Company by the Hudson's Bay Company in 1821, the Hudson's Bay Company continued to operate posts in the Region to maintain local trade. Even today, the Hudson's Bay Company continues to be important in many of the isolated settlements of the Patricia Portion where fishing and trapping are still carried on.²

2. Employment in commercial trapping in 1971

There were approximately 1,300 registered trap lines and about 1,000 trappers in the Region in 1971. Only 30 percent of the trappers earn more than \$1,000 annually from this occupation, and over 50 percent earn less than \$500. Approximately half the trap lines are held by Treaty Indians.³

¹Ontario, Department of Treasury and Economics, Design for Development (April 1970), p. 16.

²The role of the native population in Northwestern Ontario's economic development after the decline of the fur trade is not dealt with in this report.

³Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 49.

CHAPTER IV

AGRICULTURE AND HOMESTEADING IN NORTHWESTERN ONTARIO

1. The development of agriculture

Agriculture became established in the Region after the Free Grants and Homestead Act of 1896, which gave free land to bona fide homesteaders. For the government of the day "the optimum development of the south both agriculturally and industrially rested in opening the Precambrian hinterland."¹ It was hoped that this area could be both a supplier of raw materials for rapidly industrialising Southern Ontario and a market for industrial goods produced in the South. Attracting agricultural settlers was seen as the most desirable way of opening up this area; bona fide settlers were expected to clear the land of timber, market the timber, and establish farms in the Region. In order to determine the area's agricultural potential, a "Pioneer Farm" was established by provincial Minister of Agriculture John Dryden on Lake Wabigoon, midway between Port Arthur and Winnipeg. The project was successful, and the town of Dryden was established.

In order to promote agricultural settlement without depopulating Southern Ontario, it was obvious that what was called "New Ontario" would have to attract new immigrants. Until World War I Canada embarked on a campaign specifically to attract immigrant farmers, not only to Northwestern Ontario, but also to the prairies, which were then in the midst of a wheat boom.

An Ontario Government document entitled Land Settlement in New Ontario, prepared in 1901 under the direction of E. J. Davis, the Commissioner of Crown Lands, extolled the virtues and benefits of homesteading in the Rainy Lake, Port Arthur, Fort William, and Rat Portage areas. According to the pamphlet, land was generally disposed of in 160-acre lots, either for free or for 50¢ an acre, although in both cases certain conditions had to be met before a patent was issued. These conditions included clearing 10 percent of the land and erecting a house at least 16 feet wide and 20 feet long within a specified period of time. The regulations were an attempt to discourage the holding of land for speculation in minerals. Timber rights normally accrued to a bona fide settler, except in the case of pinewood, which was in great demand in the United States and Southern Ontario for construction purposes. The timber that was cleared off a homesteader's property was either sold locally for firewood or for railway ties, or was sent to market in the United States. The pamphlet described a number of settlements in the Region:

Rainy River Valley: This area could be reached from Rat Portage, on the C.P.R. line, by steamer across Lake of the Woods and Rainy River, from Winnipeg by the Canadian Northern Railway, and from Port Arthur by road. It was described as a rich farming area of 1,000,000 acres.

Wabigoon Settlement: Wabigoon consisted of two villages, Dryden and Wabigoon, and was said to contain 250,000 acres of good agricultural land. The timber was not large and was sold mostly for firewood and railway ties. Because of the absence of

¹A. Margaret Evans, "The Mowatt Era. Stability and Progress--1872 to 1896," in Profiles of a Province, Ontario Historical Society (Toronto: The Bryant Press Ltd., 1967), p. 101.

logging operations, the government felt that "those without means will find greater obstacles here than in other districts where greater and more varied demand for labour exists."²

Fort Frances: Fort Frances had been surveyed by the Dominion Government in 1875. It was a commercial centre for the surrounding area and a distribution and marketing point for the adjacent mining and lumbering camps. It possessed hotels, stores, a school building, a church, and a newspaper. Nearby Big Forks had a flour mill with a capacity of 50 barrels a day, Emo on the Rainy River had two sawmills and a grist mill, and Boucheville was considered to be a growing centre.

Rat Portage: The population of Rat Portage in 1901 was said to be 7,000, and its growth and prosperity were attributed to its strategic position on the northern extremity of Lake of the Woods and on the C.P.R. main line. Around 1876 the construction camps of the C.P.R. in the area created the nucleus of its settlement, and it was incorporated in 1891 with a population of 2,000. Its principal industries were gold, lumbering, flour milling, and to a certain extent, fishing. Hydroelectric power enabled the Ontario and Western Lumber Co. to operate six sawmills and six planing mills employing 400 to 500 men. Neighbouring Keewatin, whose population was 1,500, was the home of the largest flour mill in Canada, Lake of the Woods Milling, and two elevators. The Keewatin Lumber Company also operated in the area. There was considerable gold production, and there was said to be a custom reduction works³ for the separation of gold and silver from rocks.

Thunder Bay District: The two large towns in this District were Fort William and Port Arthur. Port Arthur was a divisional point on the C.P.R. main line from which grain was taken east by barge through the Great Lakes. Port Arthur was the eastern terminus of the Canadian Northern Railway, which was reported to have acquired control of 2,000 acres of waterfront space--about half of that city's total. The separation of Fort William and Port Arthur was explained as follows: "these two places would have been one but for the reason that the intervening ground is as low-lying and swampy as to be unsuited for building sites." Sawmill operations employed 600 to 800 men every winter season to cut 25,000 feet of logs. Domestic workers were apparently in demand in the town, and it was boasted that "The services of a good girl will readily command \$8-\$15 per month." Mining operations (silver and iron ore) were expected to grow. The principal settlements of the area were within a 34-mile radius of Port Arthur, and the area was described as providing an excellent opportunity for market gardeners and dairymen.

2. The present role of agriculture

Agriculture has not lived up to the expectations of early Ontario governments. In many places it has proved to be of marginal importance because of an unfavourable climate, poor soil, small local markets, and large distances to major markets. In the three areas where farming does occur, dairy and livestock farming provide a food supply for local markets. However, according to the 1971 census, agriculture employed less than 2 percent of the regional labour force. In 1971 in the Thunder Bay District (419 farms) dairy farming predominated, in the Rainy River District (496 farms) livestock farming was predominant, and in the Kenora District (135 farms) there was a balance between dairy and livestock farming. Six hundred and five

²Commissioner of Crown Lands, Land Settlement in New Ontario, p. 29.

³Reduction is the separation of metal from an ore, and a custom reduction works is a plant that treats ore from several mines on contract.

of 1,050 census farm⁴ operators reported that they worked at occupations other than farming. Truck and bus driving and forestry are important sources of off-farm employment.

Over the past decade agricultural employment in Northwestern Ontario has declined by approximately 30 percent because productivity has increased, because farms have become more mechanised, and because some farmers have moved to other jobs.⁵

⁴A "census farm" is defined as a farm, ranch, or other agricultural holding of one acre or more with annual sales of agricultural products of at least \$50. See Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 41.

⁵Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Development Issues in Northwestern Ontario," Interim Report (October 1976).

CHAPTER V

LOGGING AND SAWMILLS

The first logging activities in Ontario occurred not in the northwestern part of the Province but in the Ottawa River Valley. As the Ottawa Valley gradually ran out of prime timber, logging activity shifted to Northwestern Ontario. By 1894 the Ottawa Valley produced only 25 percent of the total provincial revenues in woods and forests, whereas the Northwestern Region contributed 64 percent.¹

As the logging industry grew, it became necessary to develop some mechanism to control cutting activities so that the Province could get a fair return for its natural resources. Canada inherited the British and French traditions of reserving the natural wealth of the land for the Crown. As a result, timber lands were not sold outright, but were regulated through licenses, which were simply authorisations to cut trees. Payment was required for this right according to a specified rate per board foot. Between 1826 and 1849 timber rights were under executive regulation for the purpose of obtaining provincial revenue. The Crown Timber Act, passed in 1849, was the seminal piece of legislation in Ontario governing the licensing of timber lands. It permitted relatively free access to timber lands, and provided some permanence and security to the license holder. However, the Act required that the timber be removed quickly from licensed property so that settlement could proceed and so that the provincial treasury would receive a steady revenue. Timber licenses could be granted to anyone, irrespective of nationality, and many licenses were granted to American lumbermen.

1. The rise of logging in Northwestern Ontario

The development of logging operations went hand in hand with the construction of railroads. The first sawmills ever to operate in Northwestern Ontario were erected around 1870 along the banks of the Kaministiquia River at Fort William and along the lakeshore in Port Arthur by two men who had a contract from the government to cut a railroad right-of-way. The timber that was cleared from these rights-of-way was marketed. The railway not only made the forests of Northern Ontario accessible to southern markets, but also served as a means for transporting timber out of the area. The Canadian Northern Railway, built between 1900 and 1915 from Winnipeg to Fort William on a route south of the Lake of the Woods, facilitated the establishment of the pulp and paper industry at Fort Frances. It also opened up the eastern Thunder Bay District to logging, and transported logs to market. The construction of the Canadian Northern Railway, the Grand Trunk Pacific, and other branch line railways through Northwestern Ontario between 1900 and 1930 created a substantial market for railway ties.

Other factors contributed to the rise of logging activity in Northwestern Ontario as well. Perhaps the biggest factor aside from the depletion of prime timber in the Ottawa Valley was the rise in demand for timber from American markets. Wasteful logging operations carried on in Wisconsin and Minnesota without adequate consideration for reforestation and conservation were taking their toll of these American

¹H. V. Nelles, The Politics of Development (Toronto: Macmillan of Canada Ltd., 1974), p. 65.

forests, and American lumbermen looked to Northwestern Ontario as a new source of timber supply.

It was possible to cut timber on a large scale along the north shore of Lake Superior, gather it into great booms of sawlogs, and tow these booms across Lake Huron to established sawmill centres such as Saginaw, Bay City, and Alpena, Michigan.² Ultimately, the Michigan lumber industry became totally dependent on Canadian supplies, and by 1886 Michigan firms held 1,750,000 feet of standing timber in Ontario, virtually all of which was exported as unmanufactured sawn logs.³

Trade conditions in the 1890s made it extremely easy to transport unprocessed logs across the border. Thus, although timber was being cut in Northwestern Ontario, very little was being sawn into lumber there. It was eventually realised that the export of unprocessed logs deprived settlers entering the area of many new jobs. In addition, much of the skilled labour employed in logging had to be brought to Northwestern Ontario from the United States, further reducing the number of jobs available to local settlers. Late in 1897 Ontario passed legislation prohibiting Americans not domiciled in Canada from working in the Ontario logging industry. Finally, a "manufacturing condition" was added to the Crown Timber Act in 1898. This condition stipulated that all pine timber cut on Crown lands had to be sawn into lumber in Canada. American lumbermen protested, stating that this condition violated original timber licenses. Although this amendment did stimulate the construction of new sawmills employing some 1,000 men along Lake Huron and Georgian Bay, there were ways to avoid this manufacturing condition, as will be seen below.

The provincial government recognised that in order to facilitate the rise of lumbering in Northwestern Ontario it would have to upgrade the skills of the homesteaders who were entering the Region, especially if it wished to curtail the practice of importing skilled American labour. In 1890 the Crown Lands Department established cullers'⁴ courses in the major lumbering towns to teach the basic skills of estimating, timber ranging, and volumetric scaling. From this group of licensed cullers the Department recruited its field staff, and lumbering companies recruited skilled wood rangers. These annual cullers' courses were eventually incorporated into the Forest Rangers' School.

It should also be noted that many of the sawmills (and later on many pulp and paper mills) that sprang up in Northwestern Ontario as a result of the manufacturing condition were erected with American capital, since there were no restrictions on foreign investment in Canada. Many of the pioneering lumbermen in the Pigeon River area and around the Lakehead were from Wisconsin. "The lumber industry developed as an export staple supplying the needs of more advanced economies, assisting in financing imports, and attracting some foreign investment."⁵

² Ibid.

³ Robin Thomas Naylor, The History of Canadian Business 1876-1914, vol. 2: Industrial Development (Toronto: James Lorimer & Company, 1975), p. 80.

⁴ A culler is a person who measures the volume of logs cut.

⁵ G. W. Bertram, "Economic Growth in Canadian Industry, 1870-1915--The Staple Model," in Approaches to Canadian Economic History, ed. W. T. Easterbrook and M. H. Watkins (Toronto: McClelland and Stewart Ltd., 1967), p. 94. See the Appendix for a fuller discussion of Northwestern Ontario's role as a hinterland supplying export staples to more industrialised areas.

2. Problems in the logging industry

While logging activities added much to the economic development of Northwestern Ontario, the way in which they were conducted has been the cause of many problems which the forestry industry is now experiencing. What proves today to be insufficient attention was given to conservation, reforestation, and selective cutting, both by the provincial regulatory bodies and by the logging industry. The timber resources of the Region were considered to be so vast that no lessons were learned from the depletion of forests in the Ottawa Valley or the United States. Forests in Northwestern Ontario were viewed as an unlimited resource, and their natural wealth was extracted without adequate concern for the future. The attitude of one Crown Lands Commissioner in the last decade of the nineteenth century was that "there was timber enough for a century to come, and what would happen after a century was outside the realm of present politics."⁶ By 1930 many of the areas that had once been rich in timber--those around Thunder Bay, for example--were bare.

Conservation was not the only problem which the logging industry in Northwestern Ontario encountered. Northwestern Ontario has been referred to as a "huge patronage generating machine"⁷ ever since the late 1880s. While the federal-provincial boundary dispute was in progress, Sir John A. MacDonald decreed that "not a stick of timber would accrue to the province," and he apparently parcelled out timber lands to Tory favourites: 110 licenses were given to Conservatives and only five to Liberals.⁸ A magistrate appointed by the Province to the Rat Portage area before the boundary settlement in 1889 complained that railway contractors and trespassers were stripping the country of vast quantities of timber, and that Dominion licensees were being allowed to acquire large areas of timber land at extremely low prices.⁹

The period between 1910 and 1920 is known as the era of the "Timber Thieves." Although the manufacturing condition in the Crown Timber Act attempted to prohibit the export of unprocessed logs and, later, of unprocessed pulpwood to the United States, the condition only applied to timber cut on Crown lands and not to that cut on private lands. Furthermore, while timber land was only leased, not sold, mining legislation allowed for the sale of mineral lands in fee simple.¹⁰ Title to mineral land before 1869 included all timber rights, including pine. After 1869, when the Timber Act was amended, all timber rights except Norway, White, and Jackpine were included in the title to the land in mineral claims. Many mining companies used this "timber loophole" to acquire large stands of virgin spruce and to market unprocessed logs from land ostensibly acquired for mining purposes. Timber acquired in this manner was exempt from the manufacturing condition because it was cut on private land; no revenues accrued to the provincial treasury from timber so cut and sold.

Trespassing on Crown land was also quite common, especially in the Thunder Bay District. Many timber licensees would cut timber anywhere and report to the Timber Agent that it had come from their own mining or timber license locations. His-

⁶Evans, "The Mowatt Era," p. 102.

⁷Naylor, Industrial Development, p. 5.

⁸Ibid.

⁹Zaslow, "The Ontario Boundary Question," p. 111.

¹⁰Fee simple is "a manner in which lands, especially Crown Lands, can be alienated. In the case of a transfer of the land 'in fee simple,' the land becomes to all intents and purposes the absolute private property of the party to whom it was transferred with no provision for reversion of title to the original owner." (Nelles, The Politics of Development, p. 303.)

torians have alleged, and supporting evidence was presented before the Latchford-Riddell Timber Commission, that these violations of forestry regulations were carried on with the knowledge of the provincial Department of Lands and Forests.¹¹ The Latchford-Riddell Commission recommended that a "complete statement be made and published of the existing contracts, licenses, permits, etc., under which any person or company has the right to cut on public land, in accordance with the right of the people of the province to know what disposition had been made and is being made of their property and what returns are being received from it."¹²

The Timber Act was amended in 1918 so that no further mining claims carried timber rights. However, during this period "vast areas of our most accessible and finest spruce forests were staked out by these timber pirates and large quantities of spruce timber taken out to be used in pilings at the Canadian Lakehead, or cut into pulpwood for export to American mills."¹³

3. The development of logging after World War I

The economic fluctuations after World War I affected the lumber industry in Eastern Canada. The heavy post-war demands, which reached a peak in 1920, allowed western lumber production to continue its growth, but the eastern industry experienced a period of unstable prosperity.¹⁴ The slump in 1920 and 1921 affected the eastern industries to a greater extent than the western industries. They did not fully recover even during the building boom of the late 1920s. It was during this period that the expanding eastern pulp and paper industry took advantage of unstable conditions in the lumber industry to procure large reserves of forest lands.

The depression of the 1930s severely affected the lumber industry. Not only was there a decrease in American consumption of lumber, but there was also a sharp increase in the duty imposed on exports to the U.S. from none at all in 1913 to \$4.00 per thousand feet in 1935.¹⁵ As a result, shipments of lumber to the United States dropped off severely. Great Britain took up some but not all of the slack in lumber exports.

As the Canadian economy recovered after World War II, retail and commercial construction and the lumber industry also improved. At this time the United States resumed its position as the major importer of Canadian lumber.

It appears that "timber thieves" were still operating on a large scale in Northwestern Ontario even after World War II. In June 1947 The Globe and Mail featured articles about trespassing by timber operators, in which it was said that the Ministry of Lands and Forests was threatening criminal prosecution against persons

¹¹See J. P. Bertrand, Logging History, Northwestern Ontario, 1897 Onwards, p. 49; Nelles, The Politics of Development, p. 378.

¹²Ontario, Report of the Timber Commission, appointed by Commission, 9 March 1920 (reprint ed., Queen's Printer, 1965), p. 42.

¹³Bertrand, Logging History, p. 47.

¹⁴Royal Commission on Canada's Economic Prospects, The Forestry Study Group, The Outlook for the Canadian Forest Industries (March 1957), p. 18.

¹⁵H. A. Innis, Essays in Canadian Economic History, ed. M. Q. Innis (Toronto: University of Toronto Press, 1956), p. 248.

trespassing on Crown land.¹⁶ The Kennedy Commission, the Report of the Ontario Royal Commission on Forestry of 1947, commented on wasteful and illegal logging operations.

By 1959 the availability of substitutes for lumber products and the more efficient utilisation of wood had reduced activity in sawmills at both the regional and provincial levels. Shipments from Northwestern Ontario's sawmills had fallen off by 11 percent from \$9.7 million in 1949 to \$8.6 million in 1956.¹⁷

By 1961 the number of people employed in the forestry industry in Northwestern Ontario had declined, mainly because of increased mechanisation, but also because of declining activity in the sawmill industry. In 1964 the wood industries in particular employed only 677 people, 5.9 percent of the Region's total employment in manufacturing.¹⁸ The technical innovations which partially caused this decline in employment included new methods in the harvesting of trees, as power saws replaced bucksaws and mechanised skidders took the place of those pulled by horses.

4. The present state of logging in Northwestern Ontario

Today the lumber industry depends to a large extent on external trade and market conditions, especially in the United States, and it fluctuates accordingly. Of extreme importance, however, is the industry's dependence on the existing supply of timber. Many sawmill operators complain of a shortage of large-dimension timber, and much of what is available is located on the timber limits of the pulp companies.¹⁹ The consequences of earlier mismanagement of Northwestern Ontario's timber reserves are thus being felt today. Northwestern Ontario's forestry industry in the past has depleted its timber reserves without adequate concern for future needs. The Ontario Professional Foresters Association²⁰ has alleged that Ontario's reforestation programme has not been sufficient. The Association says that Northwestern Ontario is running out of trees and warns that within a decade the forestry industry may be unable to meet the demand for timber,²¹ particularly softwood pine and spruce, which are used for construction and for the pulp and paper industry. The Association further warns that unless widespread reforestation programmes are undertaken the future expansion of the industry will be in jeopardy.

Past problems in forestry management have raised doubts among the Ontario Professional Foresters Association and among the Indians of Treaty Nine about proposed logging and mill operations in the Red Lake area. They and many others are uncertain as to whether adequate consideration will be given to reforestation and regeneration, and are concerned that within a few years industry may deplete Northwestern Ontario's last virgin timber stand of 18,000 square miles, which encompasses 10 percent of Ontario's productive forest land. The Association contends that until

¹⁶Bertrand, Logging History, p. 134.

¹⁷Ontario, Department of Economics, Economic Survey, Lakehead, Northwestern Ontario Region (1959), p. 11.

¹⁸Ontario, Department of Treasury and Economics, Design for Development, p. 146.

¹⁹Ibid., p. 106.

²⁰This organisation is a seven-hundred-member Province-wide council of government and industry foresters.

²¹"Ontario's Running Out of Trees," The Toronto Star, 28 August 1976.

forest management is improved there should be no expansion without some guarantee of good management.²² Native people are concerned that traditional fishing areas and traplines may be destroyed.

5. Employment in forestry in 1971

By 1971 the forest-based industries as a whole employed 15 percent of the Region's labour force, or approximately 14,000 people (see Table 2, page 19). It is also estimated that the industry indirectly provides an additional 30,000 jobs.²³ In 1974 approximately 1,500 persons were employed in 40 wood industry establishments throughout Northwestern Ontario.²⁴

²²R. Howard, "Indians Fight to Preserve Our Last Uncut Forest," The Toronto Star, 28 August 1976.

²³Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 54.

²⁴Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Economic Development Options: Northwestern Ontario" (preliminary draft, October 1976), p. 11.

Table 2
Employment in the Forestry Industry and
the Number of Mills in 1971

Locality	Number of jobs in all forestry industries	Number of Mills		
		Pulp and Paper	Sawmills	Veneer and Other
Kenora-Keewatin	1,500	1	5	2
Red Lake	100	-	1	-
Fort Frances	1,000	1	17	-
Rainy River	30	-	9	-
Dryden	1,800	1	10	-
Sioux Lookout	125	-	1	-
Ignace	25	-	-	-
Atikokan	60	-	6	-
Thunder Bay	6,600	4	5	-
Nipigon/Red Rock	1,200	1	1	1
Geraldton/Long Lac	675	-	1	2
Schreiber/Terrace Bay	550	1	2	-
Marathon	1,000	1	1	-
Manitouwadge	120	-	1	-
Total	14,785	10	60*	5

*In addition, a large number of portable sawmills are operating throughout the Region. The majority of these operate close to urban agricultural areas and rely to a great extent on wood purchased from private land. Between 40 and 60 of these mills are estimated to be in operation, the majority in the Thunder Bay, Fort Frances, and Dryden areas.

Source: Ontario, Ministry of Natural Resources, Strategic Land Use Plan: Background Information and Approach to Policy, Northwestern Ontario (1974), p. 53.

CHAPTER VI

THE PULP AND PAPER INDUSTRY

Around the turn of the century, the demand for newsprint was growing substantially, especially in American cities. With the depletion of American pulpwood sources, American pulp manufacturers began to look to Ontario's forests as a source of supply.

The rights to cut pulpwood in Ontario were acquired through timber licenses, while the land was retained in the name of the Crown as previously described. Nelles contends that most of these agreements were first negotiated with local mining or timber developers and then sold to American or British interests.¹ From the beginning the procedure of negotiating secret deals with the growing pulp and paper industry was attacked. It was thought that pulp concessions should be given out through public auction to the highest bidder and that full public disclosure of these transactions should be made. However, The Globe and Mail asserted that the pulp and paper industry at its early stage of development could not tolerate this form of competition,² and suggested that every encouragement should be given to this young industry.

The first mill to be built in Northern Ontario was erected at Sturgeon Falls in 1894 by a company from Huntsville. The company obtained the power rights on the Sturgeon River and received a bonus from the small town of Sturgeon Falls to assist in the mill's financing. In a short while they were in financial difficulty and sold out to an English company. The mill changed hands several times and was finally taken over by the Abitibi Power and Paper Company in 1927.

Another pulp mill was built in 1896 at Sault Ste. Marie by F. Y. Clerque, who was called "the father of industrial Sault Ste. Marie."³ His mill was to employ 300 men, and he was guaranteed a source of spruce on either side of rivers flowing into Lake Superior for 21 years. This firm eventually encountered financial difficulties; it was acquired by American interests in 1911, and renamed the Lake Superior Paper Co. In 1928, after another amalgamation, it merged with the Abitibi Power and Paper Company.

Although these early pulp mills were not located in Northwestern Ontario, the financial difficulties they experienced in the last decade of the nineteenth century prompted the government to enact legislation which stimulated the growth of the pulp and paper industry in Northwestern Ontario. The Reciprocity Treaty with the United States had been abrogated in 1866, but the American tariff that existed at this time allowed raw materials such as pulpwood to be imported at lower rates than manufactured goods such as newsprint. These early Ontario pulp mills found it difficult to sell their newsprint, which was produced primarily for American markets, since American mills were only interested in importing pulpwood to be processed in their own mills. Thus, between 1866 and 1900 pulp and paper mills remained on the American side of the Great Lakes, and Ontario pulpwood was exported.

¹ Nelles, The Politics of Development, p. 11.

² Ibid., p. 114.

³ Bertrand, Logging History, p. 96.

As opposition to the export of Canadian pulpwood grew among Canadian businessmen, the provincial government was prompted to amend the Crown Timber Act. The "manufacturing condition" as it related to pulpwood was enacted by an Order-in-Council in 1900. From then on all spruce cordwood cut on Crown lands had to be manufactured into mechanical or chemical pulp in Canada. Northwestern Ontario did not immediately benefit from this manufacturing condition, because the world recession and the American tariff produced hard times in the industry around 1903. For example, the provincial government was forced to cancel concessions in the Nipigon, Keewatin, and Dryden areas and reopen them to public auction.

In 1913 the American Newspaper Publishers Association and its desperate need for Canadian newsprint triumphed over the American papermakers' lobby. President Wilson approved the Underwood tariff, which allowed for the free trade of mechanical pulp and newsprint between Canada and the U.S. Nelles believes that the Underwood Tariff signals the founding of the Canadian pulp and paper industry,⁴ even though he suggests that all it really led to was the creation of paper mills by American capital on Canadian ground. By 1914 eight of the nine Ontario mills either in production or under construction were American-owned.⁵ However, Canadian capital did respond to the major expansion in the industry which followed after World War I, and Abitibi Paper, for example, emerged in the 1920s as one of the biggest newspaper consolidations in the world.

1. The development of the pulp and paper industry in Northwestern Ontario

There were two main factors in the rise of the pulp and paper industry in Northwestern Ontario. Before the 1890s paper had been produced from rag fibres, and paper mills were situated in older, more industrialised southern areas. However, the technology of paper production changed so that spruce wood pulp could be made into paper. This new technology also required a great deal of hydroelectric power and clean water. Spruce trees were abundant in Northwestern Ontario, and the Region's rivers could provide both hydroelectric power and an abundant supply of clean water. In addition to these technological factors, the increase in demand for newsprint in American cities coupled with the decline of American timber reserves contributed to Northwestern Ontario's becoming an attractive area for pulp and paper investors. The centres of the new pulp and paper industry in Northwestern Ontario included the following:

Fort Frances: In 1914 E. W. Backus, a Minnesota lumberman, formed the Fort Frances Pulp and Paper Company Ltd., a subsidiary of the Backus-Brooks Company, which held the power rights on the waterfalls that form the headwaters of the Rainy River. Fort Frances Pulp and Paper Company made an agreement with the provincial government to build a mill on the Canadian side of the river. This mill began operating at Fort Frances in 1914. The name of the company was subsequently changed to The Ontario-Minnesota Power and Paper Company, which still operates mills at International Falls on the American side and in Fort Frances and Kenora on the Canadian side.

Dryden: At about the same time that the pulp mill was established at Fort Frances, a 30-ton pulp mill called the Dryden Timber and Power Co. was built at Dryden, Ontario, by E. W. Bonfield of Wisconsin Rapids and L. S. David, a lumber manufacturer from Seattle. It was later reorganised and refinanced as the Dryden Paper Company, and began to manufacture wrapping and building paper, paper bags, and kraft products.

⁴Nelles, The Politics of Development, p. 48.

⁵Ibid., p. 152.

In 1964 the existing mill was acquired by Anglo-Canadian Pulp and Paper Mills, and in 1968 the operating section of this group was sold to the Reed Group Canada Ltd., of Reed International Ltd., London, England.

Kenora: The Backus-Brooks Company, operating under the name of The Ontario-Minnesota Pulp and Paper Company, obtained 1,800 square miles of timber lands from the Ontario Government in 1912 with the understanding that the company would build a mill near the town of Kenora. Because of financial difficulties, it had not begun to operate by the beginning of World War I. As a stimulus to begin operation the provincial government granted the company a further timber concession of 3,046 square miles on the English River along with the White Dog power site. The construction of the mill at Kenora began in 1920, and the mill was in operation within two years.

Port Arthur, Fort William: As early as 1921, Backus had already decided to construct the largest of his mills at the Lakehead. To this end he organised the Transcontinental Development Company, a subsidiary of Backus-Brooks enterprises. This company obtained the rights to the Nagagami Timber Limit, which was said to contain some 5,000,000 cords of pulpwood. He also managed to purchase 600 square miles of timber land in fee simple in 1922, and acquired other timber limits. In 1923 he built a pulp mill on the present site of the Great Lakes Paper Company Ltd., and in 1929 a large paper mill also began operation on this site.

Around 1920 the Kaministiquia Pulp and Paper Company built a small pulp mill at Port Arthur, just south of the Canadian National Railway track. This operation was sold to an American company in 1921, and began to manufacture newsprint in 1927 under the name of The Thunder Bay Pulp and Paper Company. It was sold to Abitibi Power and Paper a year later.

Concurrent with the construction of the Kaministiquia Pulp and Paper Company, a groundwood mill with a capacity of 50 tons was begun at Fort William by a representative of a firm from Dayton, Ohio. This mill, the Fort William Paper Co. Ltd., was sold to the Abitibi Power and Paper Company in 1928.

Today Abitibi and Abitibi Provincial have three pulp and paper mill operations at Thunder Bay, and Great Lakes Paper has one operation.

Nipigon, Red Rock: In 1922 Ojibway Timber Lands Company Ltd. succeeded in having the Township of Hale, one of the finest timber limits adjacent to Nipigon, set aside for its own use several years later. The persons involved in this company sold their timber interests to the Provincial Paper Company at a substantial profit. Then, under the name of Nipigon Fibre and Paper Mills Ltd., they built a small pulp mill with the capacity to produce 80 tons of mechanical pulp a day near the village of Nipigon. In 1926 another firm called the Nipigon Corporation Ltd., in exchange for a vast area of choice timber land, entered into an agreement with the provincial Crown to erect a mill with a daily capacity of 356 tons of mechanical pulp and 125 tons of sulphite and a paper mill with a capacity of 400 tons of newsprint at Nipigon. To comply with this agreement Nipigon Corporation purchased Nipigon Fibre and Paper Mills for \$1.5 million, a substantial profit to the original owners of Nipigon Fibre and Paper Mills.

The International Power and Paper Company, a large American corporation, bought the timber interests from the Nipigon Corporation a short time afterward, but made no effort to live up to the latter's original agreement with the Crown. They kept only the small mill operating with wood from their timber stands.

Pulp and paper operations have continued and expanded in the Nipigon-Red Rock area. The mill, presently owned by Domtar, produced 785 tons of newsprint and boxes a day in 1975.

Terrace Bay: The Kimberly Clark Pulp and Paper Company Ltd., a subsidiary of the Kimberly Clark Corporation of Neenah, Wisconsin, signed an agreement with the provincial government in 1937 to build a mill and townsite at Terrace Bay. The present townsite and the plant apparently represent a capital investment far in excess of what had been agreed to in 1937. The Aquasabon generating station, which began supplying power to Northwestern Ontario in 1948, has greatly benefitted the pulp mill at Terrace Bay.

Marathon: In 1938 the Marathon Paper Mills Company (of Wisconsin) acquired timber cutting rights in the area known as the Big Pic Watershed through its subsidiary, The General Timber Co. Ltd. The wood was driven down the Pic River and towed in booms across Lake Superior to Ashland, Wisconsin. In 1943 the company entered into an agreement with the provincial government to build a mill at what was then called Peninsula Harbour, and in return received an additional timber concession supplying pulpwood for both the new mill in Peninsula and the parent company in Wisconsin. This mill was in operation by 1946. In 1954 the name of the Canadian company was changed to Marathon Corporation of Canada. It has since merged with the American Can Company, and operates as its subsidiary. Most of the pulp produced in the mill at Marathon is used for the production of such products as tissues, towelling, and napkins in the mills of its American parent.

2. The growth of the industry after 1913

The removal of the American tariff in 1913 caused rapid growth in the Canadian newsprint industry. Whereas in 1900 production of newsprint in Canada had been negligible, by 1913 output reached 402,000 tons and Canada was the world's leading exporter.⁶ By 1919 output had doubled and by 1923 it had tripled.⁷ A peak production of just under three million tons was reached in 1929. However, although prices rose sharply from 1914 to 1923, they declined irregularly thereafter until 1932, as production began to catch up to the increase in demand. Production in fact began to exceed demand: between 1925 and 1930 the capacity of Canadian newsprint mills doubled, while the consumption of newsprint in the United States increased by only 20 percent.⁸

Overproduction was a major cause of the decline of the pulp and paper industry in Northwestern Ontario during the 1930s. Many of the companies manufacturing newsprint in Ontario, such as Abitibi and Backus-Brooks, encountered financial difficulties, and corporate reorganisations occurred. Mills at Espanola, Sturgeon Falls, and Fort William closed in 1936. For example, Great Lakes sold out to an American syndicate and was reorganised to become The Great Lakes Paper Company Ltd.

3. The Depression

The provincial government did much to try and revive the industry. During the 1930s, under great pressure from the industry, the Province issued a series of Orders-in-Council to revoke the manufacturing condition which had been added to the Timber Act in 1900. This change allowed for the export of any species cut on Crown lands in Ontario, provided that the pulpwood so exported would not be used for the manufacture of newsprint and hence would not be competing with established Ontario industries. Exemptions by similar Orders-in-Council have followed.

⁶ Easterbrook and Aitken, Canadian Economic History, p. 545.

⁷ Ibid.

⁸ Bertrand, Logging History, p. 136.

In an attempt to stop speculation and political patronage in the licensing of timber lands, the Province passed the Forest Resources Allocation Act in 1936. This Act empowered the Minister of Lands and Forests to reallocate timber lands to whomever he thought likely to build either pulp or paper mills. Although many promises were made to build pulp and paper mills in Ontario during the Depression, few of these promises were kept. The operations at Marathon and Terrace Bay were notable exceptions to this.

The pulp and paper industry attempted to improve its position during the 1930s. In 1936 a cartel called the Newsprint Association of Canada was formed. It tried to determine the productive capacity of each Canadian mill, and then to prorate newsprint orders among producers according to their rated capacity. Several American pulp and paper companies, such as Great Lakes Paper and Ontario Minnesota Paper (a division of Boise Cascade), tried to remain outside the cartel, but were forced to join under the threat of prosecution by the provincial government. At the onset of World War II the prorating system came to an end and the federal government assumed control of production and supply.

4. Expansion after World War II

The pulp and paper industry grew rapidly during the post-war decade. Between 1949 and 1957 the net value of production in Northwestern Ontario rose by 70 percent to \$84.4 million, and wage and salary expenditures rose by 94 percent to \$32 million. In 1957 there were ten pulp and paper mills operating in the Region; they employed 6,800 people, an increase of 26 percent in employment from 1949.⁹

Between 1961 and 1964, however, employment in the paper and allied industries increased by only 3.8 percent, so that the industries' share of total regional employment declined by 3.4 percent. The small increases in employment are attributable to both the failure to build new mills in the Region and to the implementation of labour-saving devices in the expansion of existing operations. However, mill output and value added both rose by more substantial amounts. Table 3 (page 25) shows the capacities of the various pulp and paper mills in Northwestern Ontario in 1970 and 1975.

Expansion in the industry will be governed to a large extent by considerations of conservation, reforestation, and environmental protection. Past mismanagement has had consequences for this industry as it has for logging. In the early years of their operations, companies cut large timber areas in the immediate vicinity of their mills without adequate consideration for the future, and they are now trucking wood great distances along roads which are costly and difficult to maintain.¹⁰ These high transportation costs make paper products more expensive to manufacture in Eastern Canada than in Western Canada, and, in conjunction with the depletion of resources, are a possible threat to the industry's expansion in Northwestern Ontario. Mercury pollution, which has become a serious environmental problem, especially in the English-Wabigoon river system, also has its roots in past misguided attitudes. For example, when objections were raised to the establishment of Le Clerque's pulp and paper plant in Sault Ste. Marie in 1895 because it would pollute the rivers and destroy fish, the Canadian Manufacturers' Association replied that "Canada could well

⁹Ontario, Department of Economics, Economic Survey, Lakehead, Northwestern Ontario Region, p. 9.

¹⁰Ontario, Department of Treasury and Economics, Design for Development, p. 144.

Table 3
Pulp and Paper Manufacturers in
Northwestern Ontario, 1975

Mill	Product	Capacity (Tons/Day)	
		1970	1975
<u>Abitibi</u>			
Thunder Bay	Newsprint	464	461
Mission River, Ft. William	Newsprint	371	353
<u>Abitibi Provincial</u>			
Thunder Bay	Print/Writing	255	307
<u>American Can</u>			
Marathon	Pulp	488	468
<u>Domtar</u>			
Red Rock	News/Box	704	785
<u>Great Lakes Paper</u>			
Thunder Bay	Newsprint/Pulp	1,748	1,707
<u>Kimberley Clark</u>			
Terrace Bay	Pulp	420	434
<u>Ontario Minnesota</u>			
Fort Frances	Newsprint/Pulp	646	842
Kenora	Newsprint	725	726
<u>Reed Paper</u>			
Dryden	Pulp/Paper	576	587

Sources: Canadian Pulp and Paper Industry, 5 February 1977, p. 29; Pulp and Paper Business Directory: Canada, 1976.

afford to have a hundred fishing streams thus ruined on such terms . . ." ¹¹ Environmental protection will be an important and potentially expensive factor in future pulp and paper mill developments.

¹¹ Naylor, Industrial Development, p. 82.

CHAPTER VII

THE MINING INDUSTRY

1. Early regulation of the mining industry in Ontario

Early regulation of the mining industry was intended to attract capital to Northern Ontario for the purpose of mineral exploration. It tried to aid private prospectors and large mining companies in exploration, and at the same time tried to secure some return to the Province for the wealth of its northern hinterland.

Until 1845 the only regulation governing mining in Upper Canada consisted of the reservation for the Crown of gold and silver found in land patents. As was noted above, this traditional British and French monarchical practice applied to timber lands as well. However, as gold and silver "rushes" occurred in Ontario--near Madoc, on Silver Islet near Thunder Bay, and elsewhere--tremendous pressure was exerted on the government to relax this reservation and to eliminate the system of royalties that had been imposed on minerals.

Finally, in 1869 the General Mining Act was passed. This Act repealed all provisions for royalties, taxes, and duties on metallic ores, and allowed for the repeal of the gold and silver reservation in all land patents. After 1869 a licensed prospector could explore any private or Crown lands, and could obtain full property rights to the minerals below the surface by staking, surveying, and registering his locations with the Crown Lands Department.¹ This was a departure from the principles embodied in the Crown Timber Act, which allowed only for the lease, not the purchase, of the resources found in public lands.

By 1906 efforts to accommodate and attract both large and small mining interests to Ontario's unexplored territory had resulted in three recognised methods of obtaining mining properties: purchase, lease, and exploration permit. The leasehold arrangement allowed miners who could not afford to purchase their lands outright to obtain a one-year lease to the property at a rental of at least \$1 for the first year, which diminished to as little as 15¢ the final year if all the requirements had been met (i.e., working the location for two years, with no outstanding rent). From 1892 until 1906, when the programme was abolished, revenues from leases equalled and often surpassed returns from mining sales.² The new Act of 1906 replaced these various methods of acquiring mining lands and established one land acquisition policy for the Province. The leasehold system was eliminated and a uniform purchase scheme introduced.

The established mining industry had been calling for uniformity in the allocation of mineral lands, and had also been pressuring the provincial government to retain those features of the Mining Act which provided for the sale of mineral rights. Indeed, even the Royal Commission on the Mineral Resources in Ontario, established in 1891, did not advocate a leasehold system. In view of the fact that Ontario depended predominantly on American capital for its mineral development, the Commission recommended that its mineral policies mirror the American freehold system of land tenure

¹Nelles, The Politics of Development, p. 23.

²Ibid., p. 112.

which American investors seemed to prefer. It believed that mineral policy would have to be liberal, without royalties or a heavy system of taxation, in order to encourage investment.

In determining the proper role of the provincial government vis-a-vis the mining industry the Royal Commission recommended that the government serve as an educational and promotional body rather than as a strictly regulatory body. It believed that Canadian mining technology was seriously deficient and that homesteaders did not have the proper knowledge for prospecting. The Commission recommended the establishment of mining schools where technologists and a labour force could be trained in mineral exploration and excavation. Its recommendation led to the establishment of institutions such as The Kingston School of Mines in 1893, which later became affiliated with Queen's University. In 1894 summer mining schools were set up in Sudbury and Rat Portage to teach miners the principles of geology and the practice of scientific prospecting. It is alleged that 950 men were enrolled in these mining schools by 1906.³

On the Commission's recommendation the Bureau of Mines was established in 1891. The Bureau's primary responsibility was to supervise "the collection and publication of information which will be of service to those actually engaged in the business of mining as prospectors, miners, or mine owners, as well as to promoters and capitalists looking for opportunities."⁴ The first notice of a promising mineral formation often appeared in a Bureau of Mines report.

Subsequent circumstances motivated the government to reconsider the question of royalties, at least in principle. When a rich nickel copper deposit was discovered at Sudbury during the construction of the C.P.R., and when government expenditures began to exceed revenues, government opinion began to change in favour of the imposition of royalties. In 1891 the General Mining Act was amended and royalties were imposed on all ores: 3 percent on silver and nickel, 2 percent on iron. However, so great was the pressure from the mining industry that nothing was ever collected under this amendment, and in 1900 royalties were again abandoned. The provincial government never reimposed royalties on mineral extractions. Mining companies are now taxed by the Province under the provisions of the Mining Tax Act of 1972 with its amendments and regulations.

Since 1964 anyone who has staked a claim and done the work necessary to develop a mine has been able to receive a 21-year renewable lease to the land in which minerals are discovered. At the discretion of the Cabinet a lease can be converted into a land patent granting title in fee simple if the lessee operates an adequately producing mine for one year and if he so desires. Generally, however, mineral land today is leased, not purchased in fee simple, and most companies are now lessees.

2. The development of mining in Northwestern Ontario

Several factors made Ontario, and particularly Northern Ontario, an attractive place in which to invest: a favourable mineral lands policy, the lack of royalties, the help of the Bureau of Mines, and the C.P.R.'s penetration of the Precambrian hinterland, which revealed rich mineral deposits.

From time to time the provincial government utilised unconventional methods in an attempt to stimulate exploration and attract investment. In 1896, for example, an English syndicate received an exclusive exploration permit to 46,000 acres in a

³Ibid., p. 140.

⁴Ibid., p. 123.

potential gold-producing area around Lake of the Woods. In exchange the company agreed to spend \$120,000 for exploration over a three-year period; if gold were discovered, it would then stake a claim in accordance with the regulations. However, the syndicate did not spend the agreed-to amounts.

Although in some instances minerals were discovered in Northwestern Ontario at an early date, they were not immediately developed. Only when international economic conditions and legislation in Ontario were favourable to the extraction of certain minerals could Canadian or American capital be enticed to the area. This is still true today.

2. A. Silver

Silver was discovered in the early 1860s in the Fort William-Port Arthur area, around what came to be known as Silver Islet. However, in anticipation of favourable provincial legislation, the original prospector of the site held his claim for many years without developing it. When the General Mining Act was passed in 1869, and royalties in the Province were eliminated, the company holding the lease, the Montreal Mining Company, sold out quickly at a speculator's profit to experienced American miners. Between 1870 and 1884, when the mine ceased production, it yielded silver to the value of \$3,500,000. Other silver discoveries were made in the Port Arthur-Fort William area although these proved to be disappointing. When the Timiskaming and Northern Ontario Railway was constructed around 1904, rich silver deposits were discovered near Cobalt, and the focus of silver mining activity shifted to Northeastern Ontario. At this time all of the ore was shipped out of the country, primarily to the United States. See Table 4 (page 30) for the present locations of silver mining in Northwestern Ontario.

2. B. Gold

In the 1880s and 1890s the Lake of the Woods area was noted as a gold-producing region. Until the rise of gold mining in the Porcupine (1909) and Kirkland Lake areas (1912) of Northeastern Ontario, the mines of the Lake of the Woods accounted for nearly all of Ontario's gold production. Around the turn of the century gold was also produced from several other scattered mines in the western part of the Region, most notably in the Seine River country. Important discoveries of gold were made at Red Lake in 1925, and this area has been Northwestern Ontario's most productive gold camp. Red Lake was not linked by road to Highway 17 until after World War II. Before that time development was contingent on air transportation and waterborne freight during the summer from Hudson on the main line of the Canadian National (formerly the National Transcontinental Railway). A gold rush took place into the Uchi Lake area in the late 1920s and early 1930s, but although several deposits were worked, no permanent settlement took place.

In spite of the Depression, interest in gold revived during the 1930s for several reasons. In the mid-1930s gold was discovered in the eastern Thunder Bay District and also at Pickle Lake in the south-central Patricia Portion. The development of these deposits brought into existence the communities of Long Lac, Geraldton, Beardmore, Jellicoe, Leitch, and Pickle Lake. See Table 4 for current gold mining locations in Northwestern Ontario.

The extraction of mineral ores originally followed the same pattern as the harvesting of timber resources. Once out of the ground the unrefined ore was exported for processing outside Canada. Until 1908 no gold was minted into coins in Canada. All gold coins were struck in the Royal Mint in London until, in 1908, a

Table 4

Producing Mines in 1973 and Subsequent Mine Openings*

Company	Location	Products	Employment in 1973	Employment in 1975
Caland Ore Co.	Atikokan	Iron	410	402
Campbell Red Lake Mines	Balmerton	Gold, Silver	290	334
Dickenson Mines	Balmerton	Gold, Silver	215	235
Griffith Mine	Bruce Lake	Iron	535	575
International Nickel Co.	Shebandowan	Nickel, Copper	325	250
Madsen Red Lake Gold Mines ^a	Madsen	Gold, Silver	105	177
Mattabi Mine	Sturgeon Lake	Zinc, Copper, Lead	270	301
Maybrun Mines ^b	Atikwa	Copper, Gold	23	--
Noranda Mines (Ceco Div.)	Manitouowadge	Zinc, Copper, Lead	675	641
Robin Red Lake Mines	Balmertown	Gold, Silver	15	included in Dickenson mines total
Selco Mining Corp.	Uchi Lake	Zinc, Copper, Silver	150	130
Steep Rock Iron Mines ^c	Atikokan	Iron	610	589
Thunder Bay Amethyst	Thunder Bay	Amethyst Stone	4	--
Wilroy Mines ^d	Manitouowadge	Zinc, Copper, Silver, Lead	165	188
Openings Since 1973				
Falconbridge	Sturgeon Lake	Copper, Zinc, Lead, Silver	--	138
Union Miniere Explorers and Manufacturing Corp. Ltd.	Pickle Lake	Copper, Nickel	--	300/300-350 (late 1976)
Mattagami Lake Mines Ltd. (Expected opening late 1977 or early 1978)	Lyon Lake	Zinc, Copper, Silver, Lead	--	25
Steep Rocks ^e	Bending Lake	Iron	--	(596) ^f (expected)
Total			3,792	4,881

*Sources: Ontario Mineral Review 1973 (Ministry of Natural Resources, 1974), cited in Ontario, Ministry of Natural Resources, Strategic Land Use Plan: Background Information and Approach to Policy (1974), p. 59; 1975 employment figures obtained from the Ontario Ministry of Natural Resources.

^a Ceased production in June 1976. ^b Ceased production in December 1974. ^c Closure expected during 1979.

^d Announced closure January 1977. ^e Possible opening in 1979 or 1980 to replace the Atikokan minesite.

^f Expected employment (Source: Results of a Manpower Survey of the Mineral and Forest Products Industries in Northwestern Ontario, Northwestern Ontario Manpower Adjustment Study, no. 6 [1978]).

branch of the Royal Mint was brought here.⁵ It was not until 1912 that Canadian gold coins were struck.

2. C. Iron

The existence of iron formations at Steep Rock Lake was noted before the turn of the century. In order to stimulate the development of iron mining, the Ontario Government instituted the Iron Mining Fund in 1894 and the federal government passed the Metal Refining Bounty Act in 1907 as financial incentives for manufacturers of pig iron. A smelter was opened in Port Arthur by the Atikokan Mining Company, which was owned by the Canadian National Railway magnates Mackenzie and Mann. Naylor contends that the railways were reluctant to be totally dependent on the western grain trade because a bad crop meant bad times for the railway; Mackenzie and Mann were anxious to diversify their freight and carry iron ore as well. Large amounts of iron originating in mines in the Nipissing, Algoma, and Lake of the Woods area were sent to the smelter at Port Arthur and then were shipped to the United States for further processing. By 1901 the provincial government expected iron mining to grow around Atikokan, and reported that two shafts had been sunk near Iron Range Lake.⁶ By 1905 ore production in Ontario stood at 193,000 tons, while pig iron production stood at 256,704 tons.⁷

By 1921 iron mining had virtually ceased, and economic conditions were not conducive to its resumption until after World War II. Before World War II the American iron and steel industry and much of the Canadian industry were supplied with ore from the Messabi range in Minnesota. As the reserves of high-grade Messabi ore diminished and the foreign and domestic market for iron and steel increased, the Steep Rock iron range attracted the capital necessary for development.

Atikokan has grown considerably in recent years. Before 1940 it was merely a C.N.R. divisional point with approximately 65 homes. Between 1940 and 1950, 410 homes were built because of the establishment of the Steep Rock Mines, and between 1950 and 1960 another 830 units were added. Steep Rock Iron Mines is the oldest producing iron ore company in Northwestern Ontario. Before 1967 all its crude ore was shipped to the Algoma Steel plant in Sault Ste. Marie. A concentrator and pelletiser was built at Atikokan before 1967, and the mine now ships pelletised ore to Sault Ste. Marie and the United States. Caland Ore Company, a wholly owned subsidiary of Inland Steel of Gary, Indiana, began mining at Steep Rock Lake in 1960. At the beginning its crude ore was shipped for further processing to its parent plant, but in 1965 it completed its ore preparation and pelletisation facilities.

Economic conditions are again adversely affecting iron mining operations in the Atikokan area, and both Caland and Steep Rock Mines have determined that it is no longer feasible to continue their present operations. Caland is expected to shut down by 1980; Steep Rock will also close its mining operations at Atikokan, but may open a new mine at Bending Lake, 40 miles northwest of Atikokan. The iron ore from the new site will be transported to Steep Rock's milling facilities at Atikokan to be pelletised.

Northwestern Ontario has other important deposits of iron, particularly at Bruce Lake, at Lake St. Joseph, and in the area to the northeast of Lake Nipigon. The Griffith mine, opened at Bruce Lake in 1968, is so far the only iron mining opera-

⁵ Naylor, Industrial Development, p. 87.

⁶ Ontario, Commissioner of Crown Lands, Land Settlement in New Ontario, p. 34.

⁷ Nelles, The Politics of Development, p. 130.

tion apart from those at Atikokan. Although there are no immediate plans to mine these deposits, it is possible that as the demand for iron ore increases, the remaining iron resources of Northwestern Ontario will attract attention.

2. D. Other base metals

The mining of other base metals is comparatively new in Northwestern Ontario. The copper, zinc, and silver deposits of the Manitouwadge area were discovered only in 1953, and three mines soon came into production. Other base metal operations were revitalised in the 1950s at widely scattered locations--Werner Lake (nickel, copper, lead, platinum), North Coldstream (copper, silver), and Zenmac (zinc) near Schreiber --but all are now closed. The Selco mine at Uchi Lake opened in July 1971. The Mattabi Mine near Ignace began production in 1972, as did the Inco Mine at Shebandowan. Falconbridge began its lead, copper, and zinc operations at Sturgeon Lake in 1973. Union Miniere Exploration and Mining Corporation's copper mine went into operation in the fall of 1976 at Pickle Lake. Table 4 gives a list of producing mines in Northwestern Ontario in March 1977.

2. E. Other mining activities

The Thunder Bay Amethyst Mine is located 35 miles northeast of Thunder Bay. Amethystine stone is mined through the open pit method and is sold in Canada and the United States for use in stoneworks. Production in 1973 was estimated at \$50,000, and three to four persons were employed there during the summer months.⁸

3. Attempts to establish mineral processing in Ontario

The objective of establishing mineral processing facilities in Ontario was considered worthwhile, since it was recognised that with the export of crude ore went many jobs that might otherwise have remained in Ontario.

The attempt to establish a nickel refinery in Ontario is an example of the difficulty experienced in trying to retain mineral manufacturing jobs. An extremely rich nickel deposit had been discovered on the C.P.R. right-of-way at Sudbury in 1883. It was held by speculators until the American market was ready, and then sold to an American, S. J. Ritchie, whose Canadian Copper Company later became Inco. As nickel gained in importance during the first 15 years of this century, especially with the onset of World War I, and as unemployment rose in Ontario, an attempt was launched to get the Canadian Copper Company to build a nickel refinery in Ontario.

Most of the jobs associated with nickel refining were being exported to the United States with the semi-processed nickel matte. As The Toronto Star observed in the early 1900s, "A few boarding houses around two or three holes in the ground plus Sudbury, represent all that Ontario has to show for a monopoly of 90 percent of the world's nickel supply."⁹ In 1900 the Mining Act had been amended to add a "manufacturing condition" to the extraction of minerals. However, the Mond Company and International Nickel, two extremely powerful nickel companies operating in Ontario, shipped the unrefined Sudbury nickel to New Jersey and to Swansea, Wales, arguing that, for various reasons, they were unable to refine the nickel in Ontario. It was not until 1917 that Inco finally erected a refinery at Port Colborne on Lake Erie. The refinery was not located at the source of ore extraction, however, and local northern residents did not obtain the benefits of the new manufacturing jobs.

⁸ Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 61.

⁹ Nelles, The Politics of Development, p. 328.

Although this struggle did not occur in Northwestern Ontario, it is indicative of some of the difficulties experienced in attracting processing plants and refineries to the Region. There are now virtually no complete mineral processing facilities in Northwestern Ontario. Mining operations in the Region have traditionally exported their raw minerals to be refined elsewhere.

There have been recent attempts to curtail the export of unrefined minerals from Ontario, but they have not been very successful. In 1970 the Mining Act was amended to add, once again, a "manufacturing condition" stipulating that ores must be refined to a final usable state for "direct use in the arts without further treatment."¹⁰ However, companies can receive an exemption from this provision by Order-in-Council, "an exemption which seems to have been granted frequently in the past."¹¹ In view of the current lag in mineral exploration, indications are that government policy will be to encourage mineral exploration rather than to establish refining facilities.¹²

4. Recent developments in mining employment and production in Northwestern Ontario

In 1972 the production value of mines operating in Northwestern Ontario was estimated at \$211,800,000. This represents an increase of 315 percent since 1958. Tables 5 and 6 (pages 34 and 35, respectively) show the annual changes in employment and production for metallic minerals between 1958 and 1973. In 1973 there were 15 producing mines in the Region employing approximately 3,800 people. In 1975 15 mines were also in operation, by that time employing approximately 4,085 people.

Mining is extremely susceptible to changing international market conditions, and mines open and close accordingly. In December 1974 the Maybrun Mine at Atikwa ceased production, as did the Madsen Red Lake gold mine in June 1976. Umex's Pickle Lake Mine opened in the fall of 1976, but has recently cut back production by 50 percent because of declining world copper prices.¹³ Mattagami Lake Mines Ltd. is expected to begin mining zinc, copper, silver, and lead in Lyon Lake (near Sturgeon Lake) in late 1977 or early 1978. In general, however, there has been a slowdown in mineral exploration in the Region.

¹⁰Ontario Economic Council, Issues and Alternatives: Northern Ontario Development (1976), p. 23.

¹¹Ibid.

¹²See "Northern Dream Fading with Mining Lag," The Globe and Mail, 7 September 1976.

¹³City of Thunder Bay, Industrial-Commercial News Report, vol. 10, no. 11 (July 25, 1977): 5.

Table 5

Employment and Production: Metallic Minerals, Northwestern Ontario, 1958-1968

Year	Total Employment	Percentage Change	Production in \$1,000s	Percentage Change
1958	3,410	--	63,692	--
1959	3,705	8.7	75,090	17.9
1960	4,412	19.1	77,433	3.1
1961	4,148	-6.0	81,278	5.0
1962	3,974	-4.2	97,063	19.4
1963	3,862	-2.8	104,168	7.3
1964	3,936	1.9	111,614	7.1
1965	3,981	1.1	105,054	-5.9
1966	3,957	-0.6	106,769	1.6
1968*	3,730	5.7	130,548	22.3

Sources: Ontario, Department of Mines, Annual Report, and Ontario, Department of Treasury and Economics, Regional Development Branch, Special Tabulations, quoted in Department of Treasury and Economics, Design for Development (1970).

*The 1966 and 1968 employment figures differ between Tables 5 and 6 because these tables have been compiled from different sources of information.

Table 6
Employment and Ore Tonnages Milled in Ontario Metal Mines, 1966-1973

Year	Northeastern Ontario		Northwestern Ontario		Southern Ontario	
	Employees	Tons of Ore	Employees	Tons of Ore	Employees	Tons of Ore
1966	22,793	35,071,340	4,026	7,049,927	332	902,928
1967	23,193	40,840,315	3,748	7,708,646	334	917,965
1968	23,302	49,751,579	3,656	10,609,641	365	927,991
1969	22,936	43,552,097	3,552	11,170,307	322	962,948
1970	24,013	50,246,324	3,380	12,903,169	331	945,903
1971	24,191	51,579,302	3,216	11,248,369	321	939,837
1972	21,515	43,249,494	3,457	12,450,295	318	955,394
1973	20,563	44,629,292	3,667	15,439,258	322	1,039,042

Source: Ontario Mineral Review (1974), quoted in Ontario Economic Council, Issues and Alternatives: Northern Ontario Development (1976), p. 22.

CHAPTER VIII

THE TOURIST INDUSTRY¹

1. The development of the tourist industry

At the time of Confederation tourism was well-established in Lower Canada. Resorts along the St. Lawrence in particular were frequented by American tourists. By 1890 tourism was established in Ontario and had moved into the Muskoka and Lake Simcoe areas. The development of Northwestern Ontario as a tourist and summer resort, especially in the western parts of Kenora and Rainy River, began because the newly opened Canadian Pacific Railway provided easy access, and because the population in Winnipeg was increasing around the turn of the century. As people in the Winnipeg area became more affluent, they began to seek the excellent summer recreation opportunities of towns such as Kenora and Keewatin, which had sprung up along the railway. The steady influx of tourists to Northwestern Ontario did not really begin until Highway No. 17 was built in the early 1930s. The western part of the Region developed into one of the leading recreation areas in Canada when it became accessible by car from Winnipeg and from the United States via Highway 71 from International Falls. By the beginning of World War II, the Kenora-Keewatin area had become well-established as a summer residence for Winnipeggers and as a recreation area for Americans.

During this period other parts of the Region also began to develop rapidly. To the west, the area around Clearwater Bay (a long arm of Lake of the Woods), when opened by Highway 17, was quickly built up with both private summer homes and commercial resorts. The area north of Kenora that was served by Canadian National also started to develop in the 1920s and 1930s. Canadian National built a lodge at Manaki on the Winnipeg River north of Kenora as a focal point for tourist activity. The C.P.R. built a summer lodge on Lake of the Woods at Devil's Gap, a mile south of Kenora, to encourage their rail passenger traffic.

The development of tourism was not limited to the Kenora-Keewatin area. Camps, resorts, cottages, and other tourist facilities were established throughout the area, particularly along Highway 71 to the United States. The excellent fishing available throughout the entire Region has been important to the development of tourism, although mercury pollution in the English-Wabigoon River system may affect this aspect of the tourist industry.

During World War II tourist and resort activity continued in the northwestern recreation area, but further development and expansion were suspended throughout the war. With the end of the war, development began in earnest. New cottage areas were opened up, and the number of resort facilities increased substantially. The completion of the Red Lake Highway in 1947 precipitated the opening of hunting and fishing lodges along its route.

An important development in the Northwestern Region in the past 15 years has been the "fly-in camp." This generally consists of a base camp accessible by road in

¹This discussion refers particularly to the western part of Northwestern Ontario, including the Kenora, Rainy River, and Sioux Lookout areas. The basic text of this section first appeared in Kates, Peat, Marwick and Co., Northwestern Ontario Tourist Industry Study (May 1968), pp. 9-11.

an established resort area with one or more remote satellite campsites accessible only by small float-equipped aircraft. Several substantial operations of this kind are centred at Kenora and Nestor Falls. Farther to the east and north, a number of operations have been developed around Red Lake and Sioux Lookout.

The growth of tourism has taken place at a steady rate during the last 20 years, although in recent years the structure of the industry has changed from an emphasis on lodges and fly-in camps to an emphasis on accommodations for the travelling public, such as camp grounds and related facilities. During the summer of 1976, when the tourist trade slumped in the rest of Ontario, Northwestern Ontario was reported to be the only large area having a good season.²

2. Employment in the tourist industry

Table 7 (page 38) presents a breakdown of the labour force in the tourist industry in 1961. Employment in this industry (directly or indirectly) in 1971 was said to be approximately 8,200,³ much of it seasonal. The number of people directly employed in tourism in 1971 constituted 6.2 percent of the labour force in Northwestern Ontario.⁴ Recreation as an industry is a significant component of the regional economic base. Tourism has been identified as the most important industry in Northwestern Ontario after forestry and mining, both in volume of dollar earnings and in numbers employed.⁵ Between 1961 and 1971, while the tourist industry's share of the total labour force remained constant at 6.2 percent,⁶ the absolute number increased by almost 17.0 percent (see Table 8, page 39).

²J. Jefferson, "Bicentennial Blamed for Tourist Slump," The Globe and Mail, 10 August 1976.

³Ontario, Ministry of Natural Resources, Strategic Land Use Plan, p. 31.

⁴Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Economic Development Options," Table 23.

⁵Kates, Peat, Marwick and Co., Northwestern Ontario Tourist Industry Study.

⁶Ibid.

Table 7
Indicators of Activity in the Tourist Industry, Northwestern Ontario, 1961

District	Employment in Hotels, Restaurants, and Taverns	Percentage of Total Labour Force	Employment in Personal Service Industries	Percentage of Total Labour Force
Kenora	1,884	11.0	2,265	13.3
Rainy River	737	8.6	989	11.5
Thunder Bay	2,131	4.2	3,682	7.2
Northwestern Ontario	4,752	6.2	6,936	9.1
Province of Ontario	75,950	3.2	164,053	6.9

Source: Dominion Bureau of Statistics, Census of Canada 1961, Special Tabulation, quoted in Ontario, Department of Treasury and Economics, Design for Development (1970), p. 160.

Table 8

The Labour Force in the Tourist Industry in Northwestern Ontario, 1961 and 1971

District	1961		1971		Percentage Change 1961 to 1971
	Employment	Percentage of Total Labour Force	Employment	Percentage of Total Labour Force	
Kenora	1,884	39.7	1,805	32.6	-4.2
Rainy River	737	15.5	775	14.0	5.2
Thunder Bay	2,131	44.8	2,960	53.4	38.9
Northwestern Ontario	4,752	100.0	5,540	100.0	16.6

Source: Statistics Canada, Census of Canada, Labour Force, 1961 and 1971, quoted in "Economic Development Options: Northwestern Ontario" (preliminary draft) (October 1976).

CHAPTER IX

MANUFACTURING

The manufacturing sector is weaker and employs fewer people in Northwestern Ontario than in Ontario as a whole. In 1961 only 16.7 percent of the Region's labour force was employed in manufacturing, while 27 percent of the Province's labour force was so employed. Today the manufacturing sector accounts for 25 percent of the labour force in the Province as a whole, and less than 14 percent in Northwestern Ontario.¹

It is not surprising that the major secondary activity in Northwestern Ontario is forest-based manufacturing. The woods industry and the paper and allied industry were among the first manufacturing industries in the Region, having been introduced just after the turn of the century. These industries have retained their prominence in Northwestern Ontario. In 1964 the pulp and paper industry employed over 60 percent of all employees in manufacturing and contributed over 75 percent of the total value added in manufacturing.² By 1974 all forest-based manufacturing accounted for more than 72 percent of the employees in manufacturing, and 75 percent of salaries and wages.³

Other important manufacturing activities include the transportation equipment industry and the chemical industry, which is closely related to pulp and paper. Mineral processing is an extremely weak sector. Employment in metal fabricating and non-metallic mineral products has dropped between 1971 and 1974.⁴

In 1939 there were 197 manufacturing establishments in the Region; by 1946 there were 267, and in 1956 there were 332.⁵ In 1956, 11,700 workers were employed in manufacturing, and the gross value of production totalled \$234 million, seven times its size at the beginning of World War II, and two-and-one-half times its size in 1946.⁶ Of the 332 manufacturing establishments in Northwestern Ontario in 1956, one-half manufactured wood products, approximately one-fifth produced foods and beverages, and one-tenth were engaged in printing and publishing. Statistics for factory shipments show that paper products were the most important manufacture and accounted for 70 percent of the Region's gross value of production. Next in order of

¹Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Economic Development Options," p. 13.

²Ontario, Department of Treasury and Economics, Design for Development, p. 138.

³Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Economic Development Options," p. 10.

⁴Ibid., Table 22.

⁵Ontario, Department of Economics, Economic Survey, Lakehead, Northwestern Ontario Region, p. 33.

⁶Ontario, Department of Treasury and Economics, Design for Development, p. 33.

importance were foods and beverages, transportation equipment, and wood products. However, transportation equipment followed paper products in respect of the number of people employed.⁷

The situation has not changed much since 1956. For the period from 1961 to 1964 regional employment in manufacturing increased by only 9.6 percent, while provincial employment in this sector increased by 14.1 percent.⁸ Between 1961 and 1970 the average annual change in employment in manufacturing was 1.1 percent in Northwestern Ontario and 2.3 percent in Ontario as a whole.

Because mineral processing is virtually nonexistent, because mineral exploration has virtually come to a standstill, and because expansion in the forest industry may be limited by insufficient timber reserves, the future development of the resource-based manufacturing sector in Northwestern Ontario is uncertain.

⁷ Ibid.

⁸ Ibid., p. 138.

APPENDIX

THE CONCEPTUAL FRAMEWORK

One of the predominant theories of the economic history of Canada, at least up to World War II, is the staple theory. This is essentially a theory of regional growth based on staple exports within the framework of an international economy. The staple theory is particularly helpful in attempting to understand Northwestern Ontario's economic history because the Region's economic development centred on and corresponded to the staple exports described in the theory: "Export staples can be identified as industries based on agricultural and extractive resources not requiring elaborate processing and finding a large portion of their market in international trade."¹

Staple exports in Canadian history are said to have begun with the fish and fur trade, which lasted until the 1850s. This trade was carried out first with France and then with Great Britain. This era was followed by the lumber trade with Britain and then, around the turn of the century, with the United States. Wheat from the prairies became more important as a staple in the first two decades of this century. This period was followed by the rise of pulp and paper exports. Minerals are an important staple export of recent times.

Basically, Canadian economic history is best seen from the standpoint of trade with other countries. The various regions of Canada developed as the demand for their natural resources increased in the markets of Great Britain and the United States.

Complementing the staple theory is the metropole/hinterland theory, which uses the staple theory to explain regional disparities and development: "The underdevelopment of some regions is usually linked with the overdevelopment of other regions. Hinterlands are by definition suppliers of raw materials to more advanced industrial nations (or regions)."²

The metropole/hinterland model postulates that hinterlands export raw materials, the basis of their economy, to larger metropolitan areas where they are processed. The theory may apply between two countries, one country serving as the hinterland, the other as the metropole; it may also apply within a single country, one region serving as a hinterland to a more industrialised metropolitan area. By applying these theories to Canadian economic history in general, one sees Canada first as a hinterland supplying fish, fur, and timber to the metropolitan markets of Great Britain. Great Britain lost her role as the metropole in stages marked first by the repeal of the Corn Laws in 1846, which initiated the decline of Canada's preferential trade position, and then by the signing of the Reciprocity Treaty with the United States in 1854, which allowed, among other things, free trade in natural products between the United States and Canada. By the 1900s the trade vacuum created by the de-

¹G. W. Bertram, "Economic Growth in Canadian Industry, 1870-1915: The Staple Model and the Take-Off Hypothesis," Canadian Journal of Economics and Political Science (May 1963): 162.

²C. Gonick, "Metropole/Hinterland Themes," Canadian Dimension, vol. 8, no. 6 (March/April 1972): 25.

cline of the square timber trade with Great Britain was filled to a large extent by the United States, which to this day makes increasingly greater demands for Canadian natural resources.

When these theories are applied to Northwestern Ontario, it becomes clear that by the time this region officially became part of Ontario in 1889 it served as a hinterland to both the United States and Southern Ontario. As Northwestern Ontario's natural wealth came to be developed, a new dimension was added to the older agricultural colony of Southern Ontario:

The older section of Ontario transmitted its technical skills, institutions, labour force and accumulated capital to help develop this virgin territory. In turn, as the north advanced it became a source of raw materials for southern industries, and an important customer for the products, services and facilities of the older Ontario. Thanks to the northland Ontario has become a leading exporter of raw materials and of semimanufactured products, and thanks to the south, a major industrial and financial centre.³

To study the history of Northwestern Ontario's economy is to ask which raw materials were required by the markets of Southern Ontario and, more importantly, the United States. At the time that Northwestern Ontario became a part of Ontario, its staple export was sawn timber. In later periods pulp and paper and then minerals played this role. When wheat became Canada's staple export, Northwestern Ontario also played an important role as a transportation corridor to metropole markets. Thus, the history of lumbering, pulp and paper, and mining form the core of the economic history of Northwestern Ontario, while agriculture and tourism play important but secondary roles.

³M. Zaslow, "The Ontario Boundary Question," p. 116.

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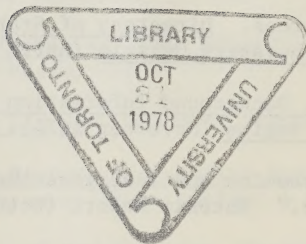
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Northwestern Ontario Manpower Adjustment Study

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- 1. An Economic History
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- 2. Projections of Labour Supply
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to 1981**
- 3. Projections of Enrolment and Graduations
from Secondary and Post-Secondary
Institutions in Northwestern Ontario, to 1981**
- 4. Labour Market Intentions of Graduating Students
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- 5. Projections of Total Labour Force
in Northwestern Ontario, to 1981**
- 6. Results of a Manpower Survey
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- 7. Projections of Manpower Requirements
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